

CITY ASSESSOR

Mission Statement:

The Department of Assessor serves the citizens of the City of Minneapolis by cost-efficiently administering the classification and valuation of real estate property in an accurate and equitable manner as prescribed by law, while performing related duties as directed by governing authorities – contributing to proper property taxation supporting government planning and funding.

Primary Businesses:

Perform the assessment function for all real estate and appropriate personal property

Key Trends and Challenges Impacting the Department:

The department's budget is over 85 percent salaries and benefits. Absorption of COLA, step increases and other inflating costs have been absorbed through staff cuts over the past several years. For example, the 1996 budget was \$2,472,907 with 41.3 staff. Market value per staff member was approximately \$300 million. Compared to the proposed 2002 budget, in six years the budget has increased by 8.6 percent and staff has decreased by 17.7 percent. The market value per staff member is almost \$700 million.

The staff cutbacks occur at a time when property tax appeals are increasing. Minneapolis Tax Court cases, after declining for several years, are increasing at a rapid pace. Payable 2003 cases are 621 parcels covered by 303 petitions, an increase over payable 2000 of 126.6 percent and 122.2 percent, respectively. There is currently \$2.6 billion in market value under appeal including most of the City's Class A office buildings.

Key Enterprise Outcome Measures Influenced by the: City Assessor

1. Foster the competitive environment for development
2. Increase the percentage of private sector businesses that report satisfaction with doing business in the City of Minneapolis
3. Increase the consistency of elected officials tax related decisions with a comprehensive municipal tax policy

Performance Data for Key Enterprise Outcome Measures:

	2000 Actual	2001 Actual	2002 Estimated	2003 Planned	2003 Approved
% change in residential property values	16.0%	23.4%	15.2%	10.0%	10.0%
% change in commercial/industrial property values	9%	10%	1%	4.5%	4.5%
Informal & formal appeals as a % of commercial/industrial parcels	5.2%	7.3%	10.4%	12%	12%
City of Minneapolis' credit rating	AAA x 3	AAA x 2 AA1 x 1	AAA x 2 AA1 x 1	NA	NA

Explanation of Performance Data for Key Enterprise Outcome Measures: Data for percentage change in values is from the Market Value History and Projections

Primary Business: Perform the assessment function for all real estate and appropriate personal property

(Service activities and performance measures sorted by business)

Service Activity: Estimate the value of all taxable property and maintain property descriptions

Description: This activity is the annual valuation of all taxable property per state law and in compliance with good assessment practices.

Key Performance Measures:

	2000 Actual	2001 Actual	2002 Estimated	2003 Planned	2003 Approved
Average assessment to sale ratio -- Goal 94%	89.0%	100.8%	98.8%	94%	94%
Informal and formal appeals as a % of taxable parcels -- Goal 2.5%	2.2%	2.5%	2.7%	2.7%	2.7%
% parcels inspected each year -- Goal 25%	25%	25%	25%	25%	25%

Explanation of Key Performance Measures: Ratio studies are from MN Department of Revenue study for State Board of Equalization for residential property.

Service Activity: Classification and processing of parcels and owners qualifying for homestead status, exempt status or special classifications

Description: The classification function is generally a routine review but some taxable/exempt issues become very complex. The other performance measures are support functions within the department.

Key Performance Measures:

	2000 Actual	2001 Actual	2002 Estimated	2003 Planned	2003 Approved
% of state and county deadlines in the assessment calendar met -- Goal 100%	100%	100%	100%	100%	100%
Assessment roll change orders submitted to Hennepin County as a % of taxable parcels -- Goal 2.5 %	2.0%	3.0%	2.7%	2.5%	2.5%
% of property transfers recorded into the appropriate database within 5 days of receipt	<40%	<40%	50%	60%	60%
Accuracy level -- Goal 97%	97%	97%	97%	97%	97%

Explanation of Key Performance Measures: The implementation of a new software system resulted in an increase in changes to the assessment roll. The data presented are estimates. The department has had staffing shortages during most of 2000, 2001 and first half of 2002.

Service Activity: Respond to all formal owner/taxpayer valuation appeals and requests for property reviews

Description: With the phase out of limited market value, the market value of residential property will become more critical and result in more residential taxpayer appeals. The commercial market for office space has abruptly changed with many aggressive challenges for CBD and other properties.

Key Performance Measures:

	2000 Actual	2001 Actual	2002 Estimated	2003 Planned	2003 Approved
Net total reduction because of formal appeals as a % of total market value appealed. Goal -- less than 5%	< 4.0%	<4.0%	,5.0%	<5.0%	<5.0%
% of appeals upheld by local, county appeal boards or Tax Court -- Goal 70%	>75%	>75%	>75%	>75%	>75%
% informal appeals resolved prior to those appeals advancing to a formal appeal -- Goal 70%	>75%	>75%	>75%	>75%	>75%
% of taxpayer requests for reviews responded to within 5 days of receipt	.>85%	>85%	>85%	>90%	>90%

Explanation of Key Performance Measures: Most data represents estimates.

Service Activity: Support of City initiatives, Property Tax Programs, Minneapolis School District and other City Departments

Description: The department is continually involved in citywide projects, especially property-related technology projects.

Key Performance Measures:

	2000 Actual	2001 Actual	2002 Estimated	2003 Planned	2003 Approved
Participation in enterprise projects	Chair of Technology Steering Committee; Nature of Change; Rewards and Recognition; Real Estate Advisory Board	Chair of Technology Steering Committee; Real Estate Advisory Board	Chair of Technology Steering Committee; Real Estate Advisory Board	Real Estate Advisory Board	Real Estate Advisory Board

Explanation of Key Performance Measures: Tax base growth of 21.9 percent from 2000 to 2001 supports all programs and financial strength of the City. Maintaining the assessment function at the city versus county level provides both tangible and intangible benefits with the same cost to perform the services.

Service Activity: Verify and maintain records of property transfers

Description:

Key Performance Measures:

	2000 Actual	2001 Actual	2002 Estimated	2003 Planned	2003 Approved

Explanation of Key Performance Measures:

Financial Analysis:

Expenditures

The Department's expenditures are increasing a total of 5.49 percent over the 2002 adopted amount. This total represents an increase in personnel of 5.9 percent and a non-personnel increase of 2.87 percent. Fringe benefits represent the largest increase in the Department's budget, with a 16.07 percent increase. Salaries and wages were the second largest increase, with a 3.5 percent increase.

Revenues

No change in the Department's revenue is expected for 2003. The Department expects to receive \$130,000 in property tax revenue due to Payments in Lieu of Taxes (PILOT). These payments are from nonprofit nursing homes that do not pay a property tax, but that do pay for a share of the services they receive (i.e., Police, Fire, etc.). In addition there is \$1,000 in revenue in charges for services, which represents revenue received from the processing of various information requests.

Fund Allocation

One hundred percent of the Department's budget is found in the General Fund.

FTE Changes

The Department's 2003 City Council adopted budget included funding for 35.50 FTE's. Included in this FTE count is the following positions that are directly involved in the assessment function:

- Assessor I, 9.0
- Assessor II, 9.0
- Assessor III, 4.0
- Real Estate Investigator Aide II, 2.0
- Supervisor Real Estate Assessment, 3.0
- Director/Supervisor/Manager positions, 3.0

Summary of Target Strategies:

2 Percent Reduction Strategy: Elimination of 1.0 Assessor II position.

4 Percent Reduction Strategy: Elimination of 1.0 Assessor II position and use of BLOA.

Title: Elimination of 1.0 Assessor II position

Fund #	Agency #	Organization #
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<u>Fund</u>	<u>Cost</u>	<u>Revenues</u>	<u>FTE's</u>	<u>Job Titles/Other related costs</u>
0100	(\$60,694)		(1.0)	Elimination of 1.0 Assessor II position

Mayor's Recommendation:

The Mayor does not recommend this strategy.

Council Adopted:

The Council concurs with the Mayor's recommendation.

Expense: \$0

Revenue: \$0

Proposal Description: This position is a field appraiser who has the responsibility to list, value and classify all real property in the city, both taxable and exempt. Elimination of the position will shift their parcels to other field staff.

The primary activities of an Appraiser II are: 1) to inspect all property at least once every four years (required by State law). Reducing the staff devoted to this activity erodes the current nature and accuracy of the property data base. This data base is used by Planning, MCDA, Inspections, NRP and other property related departments. 2) Update the records/values of properties that have had building permits impacting value in the previous year (as of the January 2nd Assessment date). 3) Respond to all taxpayer appeals ranging from the informal appeal to Tax Court trials. Appeals are increasing for income producing property as a result of economic conditions and increased vacancy rates. Residential appeals are expected to increase as a result of elimination of Limited Market Value. Reduction in staff devoted to defense of values has a likely erosion of the tax base and increased property tax refund similar to the situation that occurred in the early 1990's when the department had 50 percent more staff.

Describe how the proposal impacts your service activities and performance measures:

Customer service, accuracy of the assessment roll, successful defense of market values being appealed and ability to "discover" new value for tax base have a direct correlation with the level of staffing. The Assessors Office has experienced more reductions in staffing than any other city department with the exception of Public Health, During this time period the tax base has increased by over 100 percent.

The department's budget is more than 85 percent wages and benefits. Budget cuts have to be absorbed through staff reductions. However with fewer staff, the tax base is constrained through an inability to adequately measure improving market conditions and to defend value appeals. Inadequate staffing for the assessment function can actually cost the City of Minneapolis property tax revenue rather than save money by reduction of staff.

Title: Elimination of Assessor II position and use of budgetary leave of absence (BLOA)/delayed hiring

Fund #		Agency #		Organization #
<u>Fund</u>	<u>Cost</u>	<u>Revenues</u>	<u>FTE's</u>	<u>Job Titles/Other related costs</u>
0100	(\$60,694)		(1.0)	Elimination of 1.0 Assessor II position
0100	(\$45,000)			Use more BLOA and delay filling open positions

Mayor's Recommendation:

The Mayor does not recommend this strategy.

Council Adopted:

The Council concurs with the Mayor's recommendation.

Expense: \$0

Revenue: \$0

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Expense Information

	2000 Actual	2001 Actual	2002 Adopted Budget	2003 Adopted Budget	% Change 2002 to 2003	Change 2002 to 2003
General Fund - City						
Capital Outlay	140	2,424	500	510	2.0%	10
Contractual Services	260,111	213,478	197,795	203,598	2.9%	5,803
Equipment	2,528	433	1,000	1,020	2.0%	20
Fringe Benefits	371,008	357,617	428,428	497,289	16.1%	68,861
Operating Costs	135,028	149,534	145,281	149,348	2.8%	4,067
Salaries and Wages	1,818,915	1,755,832	1,815,037	1,878,459	3.5%	63,422
Total for General Fund - City	2,587,729	2,479,318	2,588,041	2,730,224	5.5%	142,183
Total for ASSESSOR	2,587,729	2,479,318	2,588,041	2,730,224	5.5%	142,183

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Revenue Information

	2000 Actual	2001 Actual	2002 Adopted Budget	2003 Adopted Budget	% Change 2002 to 2003	Change 2002 to 2003
General Fund - City						
Charges for Sales	0	307	0	0	0.0%	0
Charges for Service	3,597	11,032	1,000	1,000	0.0%	0
Other Misc Revenues	90	0	0	0	0.0%	0
Property Taxes	134,344	129,624	130,000	130,000	0.0%	0
<i>Total for General Fund - City</i>	138,031	140,963	131,000	131,000	0.0%	0
Total for ASSESSOR	138,031	140,963	131,000	131,000	0.0%	0